

**Proposed Rule**  
LSA Document #14-298

DIGEST

Amends [760 IAC 1-35-2](#), [760 IAC 1-35-3](#), and [760 IAC 1-35-4](#) and adds [760 IAC 1-35-3.5](#) and [760 IAC 1-35-4.5](#) concerning mortality tables for annuity reserve liabilities, and adds the 2012 Individual Annuity Reserve Table to be used for the minimum reserve valuation for individual annuities or pure endowment contracts issued on or after January 1, 2015. Repeals [760 IAC 1-35-1](#). Effective 30 days after filing with the Publisher.

[IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses](#)

[760 IAC 1-35-1](#); [760 IAC 1-35-2](#); [760 IAC 1-35-3](#); [760 IAC 1-35-3.5](#); [760 IAC 1-35-4](#); [760 IAC 1-35-4.5](#)

SECTION 1. [760 IAC 1-35-2](#) IS AMENDED TO READ AS FOLLOWS:

**[760 IAC 1-35-2 Purpose of rule](#)**

**Authority:** [IC 27-1-3-7](#)

**Affected:** [IC 27-1-12](#)

Sec. 2. The purpose of this rule is to recognize the following mortality tables for use in determining the minimum standard of valuation for annuity and pure endowment contracts:

- (1) The 1983 Table "a".
- (2) The 1983 GAM Table.
- (3) The Annuity 2000 Mortality Table. ~~and~~
- (4) The 1994 GAR Table.
- (5) The 2012 IAR Table.**

*(Department of Insurance; [760 IAC 1-35-2](#); filed Oct 16, 1985, 2:18 p.m.: 9 IR 517; filed Dec 1, 1999, 3:31 p.m.: 23 IR 810, eff Dec 31, 1999; readopted filed Sep 14, 2001, 12:22 p.m.: 25 IR 531; readopted filed Nov 27, 2007, 4:01 p.m.: [20071226-IR-760070717RFA](#); readopted filed Nov 26, 2013, 3:43 p.m.: [20131225-IR-760130479RFA](#))*

SECTION 2. [760 IAC 1-35-3](#) IS AMENDED TO READ AS FOLLOWS:

**[760 IAC 1-35-3 Definitions](#)**

**Authority:** [IC 27-1-3-7](#)

**Affected:** [IC 27-1-12](#)

Sec. 3. The following definitions apply throughout this rule:

- (1) "1983 Table "a"" means that mortality table developed by the Society of Actuaries Committee to Recommend a New Mortality Basis for Individual Annuity Valuation and adopted as a recognized mortality table for annuities in June 1982 by the ~~National Association of Insurance Commissioners~~. **NAIC.**
- (2) "1983 **Group Annuity Mortality Table**" or "1983 GAM Table" means that mortality table developed by the Society of Actuaries Committee on Annuities and adopted as a recognized mortality table for annuities in December 1983 by the ~~National Association of Insurance Commissioners~~. **NAIC.**
- (3) "1994 **Group Annuity Reserving Table**" or "1994 GAR Table" means that mortality table developed by the Society of Actuaries Group Annuity Valuation Table Task Force and shown on pages 866 through 867 of Volume XLVII of the Transactions of the Society of Actuaries (1995).
- (4) "2012 Individual Annuity Mortality Period Life Table" or "2012 IAM Period Table" means the period table containing loaded mortality rates for calendar year 2012 and containing rates,  $q_x^{2012}$ , developed by the Society of Actuaries Committee on Life Insurance Research.**
- (5) "2012 Individual Annuity Reserving Table" or "2012 IAR Table" means that generational mortality table developed by the Society of Actuaries Committee on Life Insurance Research and containing rates,  $q_x^{2012+n}$ , derived from a combination of the 2012 IAM Period Table and Projection Scale G2.**
- ~~(4)~~ **(6) "Annuity 2000 Mortality Table" means that mortality table developed by the Society of Actuaries Committee on Life Insurance Research and shown on page 240 of Volume XLVII of the Transactions of the Society of Actuaries (1995).**

(7) "Generational mortality table" means a mortality table containing a set of mortality rates that decrease for a given age from one year to the next based on a combination of a period table and a projection scale containing rates of mortality improvement.

(8) "NAIC" means the National Association of Insurance Commissioners.

(9) "Period table" means a table of mortality rates applicable to a given calendar year.

(10) "Projection Scale G2" or "Scale G2" is a table of annual rates, G2, of mortality improvement by age for projecting future mortality rates beyond calendar year 2012. This table was developed by the Society of Actuaries Committee on Life Insurance.

(Department of Insurance; [760 IAC 1-35-3](#); filed Oct 16, 1985, 2:18 p.m.: 9 IR 517; filed Dec 1, 1999, 3:31 p.m.: 23 IR 810, eff Dec 31, 1999; readopted filed Sep 14, 2001, 12:22 p.m.: 25 IR 531; readopted filed Nov 27, 2007, 4:01 p.m.: [20071226-IR-760070717RFA](#); readopted filed Nov 26, 2013, 3:43 p.m.: [20131225-IR-760130479RFA](#))

SECTION 3. [760 IAC 1-35-3.5](#) IS ADDED TO READ AS FOLLOWS:

**[760 IAC 1-35-3.5](#) Incorporation by reference**

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12](#)

Sec. 3.5. The following mortality tables set forth in the NAIC Model Laws, Regulations and Guidelines, Vol. VI, pages 821-5 through 821-8, Appendices I through IV, NAIC Model Rule (Regulation) for Recognizing a New Annuity Mortality Table for Use in Determining Reserve Liabilities for Annuities (January 2013) are hereby incorporated by reference as if fully set out herein:

- (1) Appendix I (2012 IAM Period Table, Female, Age Nearest Birthday).
- (2) Appendix II (2012 IAM Period Table, Male, Age Nearest Birthday).
- (3) Appendix III (Projection Scale G2, Female, Age Nearest Birthday).
- (4) Appendix IV (Projection Scale G2, Male, Age Nearest Birthday).

(Department of Insurance; [760 IAC 1-35-3.5](#))

SECTION 4. [760 IAC 1-35-4](#) IS AMENDED TO READ AS FOLLOWS:

**[760 IAC 1-35-4](#) Individual annuity or pure endowment contracts**

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12](#)

Sec. 4. (a) Except as provided in subsections (b) and (c), the 1983 Table "a" is recognized and approved as an individual annuity mortality table for valuation and, at the option of the company, may be used for purposes of determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after August 31, 1979.

(b) Except as provided in subsection (c), either the 1983 Table "a" or the Annuity 2000 Mortality Table shall be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 1987.

(c) Except as provided in subsection (d), the Annuity 2000 Mortality Table shall be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after December 31, 1999.

**(d) The 2012 IAR Table shall be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 2015.**

~~(d)~~ **(e)** The 1983 Table "a" without projection is to be used for determining the minimum standards of valuation for an individual annuity or pure endowment contract issued on or after December 31, 1999, solely when the contract is based on life contingencies and is issued to fund periodic benefits arising from any of the following:

- (1) Settlements of various forms of claims pertaining to court settlement or out of court settlement from tort actions.

- (2) Settlements involving similar actions, such as worker's compensation claims.
- (3) Settlement of long term disability claims where a temporary or life annuity has been used in lieu of continuing disability payments.

(Department of Insurance; [760 IAC 1-35-4](#); filed Oct 16, 1985, 2:18 p.m.: 9 IR 517; filed Dec 1, 1999, 3:31 p.m.: 23 IR 810, eff Dec 31, 1999; readopted filed Sep 14, 2001, 12:22 p.m.: 25 IR 531; readopted filed Nov 27, 2007, 4:01 p.m.: [20071226-IR-760070717RFA](#); readopted filed Nov 26, 2013, 3:43 p.m.: [20131225-IR-760130479RFA](#))

SECTION 5. [760 IAC 1-35-4.5](#) IS ADDED TO READ AS FOLLOWS:

**[760 IAC 1-35-4.5](#) Application of the 2012 IAR Table**

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12](#)

Sec. 4.5. In using the 2012 IAR Table, the mortality rate for a person age  $x$  in year  $(2012 + n)$  is calculated as follows:

$$q_x^{2012+n} = q_x^{2012} (1 - G2_x)^n$$

The resulting  $q_x^{2012+n}$  shall be rounded to three decimal places per 1,000, e.g., 0.741 deaths per 1,000. Also, the rounding shall occur according to the formula above, starting at the 2012 period table rate.

For example, for a male age 30,  $q_x^{2012} = 0.741$ .

$q_x^{2013} = 0.741 * (1 - 0.010)^1 = 0.73359$ , which is rounded to 0.734.

$q_x^{2014} = 0.741 * (1 - 0.010)^2 = 0.7262541$ , which is rounded to 0.726.

A method leading to incorrect rounding would be to calculate  $q_x^{2014}$  as  $q_x^{2013} * (1 - 0.010)$ , or  $0.734 * 0.99 = 0.727$ . It is incorrect to use the already rounded  $q_x^{2013}$  to calculate  $q_x^{2014}$ .

(Department of Insurance; [760 IAC 1-35-4.5](#))

SECTION 6. [760 IAC 1-35-1](#) IS REPEALED.

**[Notice of Public Hearing](#)**

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